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## REVIEW OF SPECIAL TREASURY FUNDS

**FINDING:** There are more than 300 special funds in the state treasury which are currently authorized by statute and constitution. \$2 billion of the state budget is funded through dedicated revenues. These dedications restrict the flexibility of the governor and legislature in addressing revenue shortfalls and budget problems. The committee conducted three hearings to review these funds on a departmental basis with respect to functionality and activity and developed the following options associated with this issue.

*See "Select Committee on Fiscal Affairs – Study of Special Treasury Funds – List of Funds Recommended for Repeal" - Appendix pp. 77-86*

*See "Select Committee on Fiscal Affairs – Study of Special Treasury Funds – List of Funds Recommended for Further Action" - Appendix pp. 87-90*

### **OPTION 1: Repeal inactive special treasury funds.**

**Description and Background:** The committee identified 44 inactive funds which could be repealed. The appendix contains a detailed listing containing information on each of these funds. Unexpended fund balances associated with these special treasury funds would either be appropriated for the designated purpose or transferred to the state general fund where feasible.

**Estimated Fiscal Impact:** The total fund balances of these 44 inactive funds is approximately \$6 million. These balances would either be appropriated for the designated purposes or transferred to the state general fund for other uses. Otherwise, the fiscal impact will be limited to administrative savings resulting from elimination of accounting costs associated with these funds.

**Action Required to Implement:** Legislative action will be needed to appropriate any balances and to repeal the designated funds. The effective date of the repeal of funds with balances may need to be as late as July 1, 2002 in order to accommodate expenditure of monies budgeted in FY 02. After July 1, 2002, the treasurer will be directed to credit any residual monies attributed to a repealed fund to the state general fund.

**OPTION 2: The Classroom-Based Technology Fund and Teacher Supplies Fund should be modified to allow use of remaining balances for other purposes which are more appropriate for the amount of available money in the funds, or should be repealed and balances used for a related or other purpose. The balances in these funds are insufficient to allow effective distribution for the required uses of the monies. (See Appendix pp. 87, 89).**

**Description and Background:** The Classroom-Based Technology Fund and the Teacher Supplies Fund were created to facilitate the use of surplus monies for acquisition of technology equipment and for purchase of school supplies. Both funds provide for

distribution of funds to elementary and secondary schools. Most of those surplus monies have been expended and residual balances in the fund are insufficient to distribute as required under existing provisions.

**Estimated Fiscal Impact:**

- Classroom-Based Technology Fund balance is approximately \$1.3 million
- Teacher Supplies Fund balance is approximately \$1.2 million

**Action Required to Implement:** Legislation is needed to revise or repeal the funds, and to appropriate or transfer any balances. If expenditures from the remaining fund balances are appropriated in FY 02, repeal for the funds should become effective after July 1, 2002, after which the treasurer would be directed to credit any residual to the state general fund.

**OPTION 3: Abolish the Louisiana Charter School Start-Up Loan Fund or transfer a portion of its balance to the State General Fund.** *(See Appendix p. 87).*

**Description and Background:** The Charter School Start-Up Loan Fund was provided \$3 million in FY 97. The first loan of \$100,000 was made in FY 01. The fund has maintained a large balance because the demand for these loans has not reached the level anticipated when the fund was established. Federal charter school grants, in addition to loans, have been available since FY 96.

**Estimated Fiscal Impact:** The fund had a balance of \$3.4 million at the end of FY 00. Some funds may be required to remain in the fund based on outstanding loans and anticipated loan approvals.

**Action Required to Implement:** Legislation is needed to abolish the fund and to transfer any portion of the balance.

**OPTION 4: Revise the Telecommunications for the Deaf Fund to expand the allowable uses for these monies, since the fund balance is much larger than is necessary to satisfy the current purposes of the fund** *(See Appendix p. 90).*

**Description and Background:** The Telecommunications for the Deaf Fund receives the proceeds of a 5 cent tax on Louisiana telephone services, and monies are to be used to administer a statewide program to provide access for the hearing impaired to all public telecommunications services. The cost of providing the current services mandated for use of these monies is much less than the tax proceeds deposited into the fund. According to testimony in the SCOFA committee, there are additional services to assist the hearing impaired which could be added as allowable uses for these monies. Additionally, it was stated in testimony that even with inclusion of such new purposes, there may still be an excess balance in this fund. The amount of such revenues is indeterminable, however, until implementation of any expanded services.

**Estimated Fiscal Impact:** The Telecommunications for the Deaf Fund balance is approximately \$6.5 million. Some portion of this balance could be determined to be excess to the needs of the fund even if the purposes for use of fund monies is expanded.

**Action Required to Implement:** Legislation will be needed to expand the uses of the fund, and as well to or transfer any balances determined to be excess to fund needs.

**OPTION 5:** Repeal the Louisiana Employment Opportunity Loan Fund since the fund is no longer used and currently holds a lingering balance of approximately \$500,000. (See Appendix p. 89).

**Description and Background:** The fund was established in FY 93 to support a three-year pilot program for loans to assist people in obtaining employment. Monies were used to pay for loan defaults and administration of the loan program. The January 2001 Fiscal Status Statement presented to the Joint Legislative Committee on the Budget cited use of the \$532,000 balance in this fund as a source of revenue to address the current year's revenue shortfall which would require legislative action this session to access these funds.

**Estimated Fiscal Impact:** The balance of this fund could be appropriated for any purpose. The balance is approximately \$532,000.

**Action Required to Implement:** Legislation will be needed to repeal the fund and transfer balances to the state general fund.

**OPTION 6:** Repeal the Administrative Fund (Department of Insurance) unless the fees on health insurance providers which provide the source of monies in this fund are increased to a level which makes retention and usage of this fund practical. The Department of Insurance may seek to have legislation introduced this session to increase such fees. (See Appendix p. 87).

**Description and Background:** The source of monies deposited into this fund are fees assessed by the Department of Insurance on health insurance providers. The current fee structure is grossly inadequate to support the activities which are designated to be provided through such fees via this fund. Thus, the program for enforcement of law related to health insurance coverage is supported mostly with state general fund rather than this fund. If the fees are not increased, then the fund is not useful as designed and should be repealed.

**Estimated Fiscal Impact:** The current fees collected as the source of monies for this fund are negligible.

**Action Required to Implement:** Legislation will be needed to repeal the fund, and as well to appropriate or transfer the balance. The effective date of the repeal would be contingent upon the fiscal year for which the fund balance was appropriated. A bill could be introduced and held, pending passage of legislation to increase the fees.

**OPTION 7:** Repeal the Louisiana Tax Commission Expense Fund, the Refund Offset Fund, and the Louisiana Consumer Credit Education, and budget these monies as self-generated revenues rather than as dedicated revenues. (See Appendix pp. 88, 89).

**Description and Background:** The Louisiana Tax Commission Expense Fund is comprised of monies collected by the Louisiana Tax Commission, which are used for support of the commission. The commission spends these self-generated monies rather slowly and a balance accumulates in the fund. If these monies were budgeted as self-generated funds, monies which are not needed by the commission would revert to the state general fund.

The Refund Offset Fund is comprised of fees for “offset claims” related to state taxes, which are used for the expenses of the Department of Revenue in the processing of refund offset claims. These monies would be better budgeted as self-generated funds so that monies which are not needed by the department would revert to the state general fund.

The Louisiana Consumer Credit Education Fund is supported by civil penalties paid to the commissioner of financial institutions and used to finance education programs for consumers and lenders on consumer credit laws and enforcement of these provisions by the Office of Financial Institutions. Only small amounts have been appropriated from this fund and it has accumulated a small balance.

**Estimated Fiscal Impact:** The FY 00 year-end balance of the Louisiana Tax Commission Expense Fund was \$511,000. The FY 00 year-end balance of the Refund Offset Fund was \$192,000, with a FY 01 appropriation of \$50,000. Only \$4,500 is appropriated for the current fiscal year from the Louisiana Consumer Credit Education Fund and the FY00 ending balance was only \$12,000. Any residual balances for the FY 01 year, which would not be needed by these departments, would be transferred to the state general fund.

**Action Required to Implement:** Legislation will be needed to repeal the funds, as well as to transfer the balances.

**OPTION 8:** Repeal the Vocational Technical Enterprise Fund, and budget these monies as self-generated revenues rather than as dedicated revenues. (See Appendix p. 90).

**Description and Background:** The Vocational Technical Enterprise Fund is comprised of all self-generated revenues of the technical colleges, which are required to be distributed among the schools based on each school’s prorated portion of the total collections. The monies may be expended at the discretion of the school director subject to approval by the appropriate management board. This fund predates the technical colleges transfer to higher education. These monies could be budgeted as self-generated

funds, which would provide flexibility to the schools in the use of these monies. Self-generated revenues of institutions of higher education are retained by the institution at the end of the fiscal year rather than reverting to the state general fund.

**Estimated Fiscal Impact:** There would be no fiscal impact on the state general fund as these funds are currently retained in the dedicated fund.

**Action Required to Implement:** Legislation is required to repeal the fund.

**OPTION 9:** The Fraud Detection Fund, the Louisiana Blind Vendor's Trust Fund, and the Traumatic Head and Spinal Cord Injury Trust Fund have all accumulated rather large balances due to budgetary restriction on the expenditure of these monies. Either expenditure authority in the budget should be increased to allow for use of these funds pursuant to current fund mandates, or the funds should be revised to expand the purposes for which appropriations from the funds may be made. In the case of the Fraud Detection Fund, such monies could also be converted to self-generated revenues for the Department of Social Services. (See Appendix pp. 88, 90).

**Description and Background:** The Fraud Detection Fund receives monies recovered by the Department of Social Services in the detection of public assistance fraud. The fund has accumulated a large balance (approximately \$3.3 million) due to failure to add budget expenditure authority from this program.

The Louisiana Blind Vendors Trust Fund receives monies collected from vending machines pursuant to the Randolph-Sheppard Act, and is used for enhancement of programs for persons who are disabled through blindness. The fund has accumulated a large balance (approximately \$1 million) due to failure to add budgetary expenditure authority for the provision of these services.

The Traumatic Head and Spinal Cord Injury Trust Fund receives monies collected from certain fines for motor vehicle violations, which are required to be used for assistance to Louisianians who have survived traumatic head and spinal cord injuries. The fund has accumulated a large balance (approximately \$3.7 million) due to failure to add budget authority for expenditure of these funds.

The accumulated balances in these funds could be used in one of the following ways:

- 1) Budget additional monies from these funds for the designated purposes
- 2) Revise statutes to expand the uses of the monies in the fund
- 3) Transfer the balances to the state general fund to be used for other purposes

**Estimated Fiscal Impact:**

Fraud Detection Fund balance is approximately \$3.3 million  
Louisiana Blind Vendors Trust Fund balance is approximately \$1 million  
Traumatic Head and Spinal Cord Injury Trust Fund is approximately \$3.7 million

**Action Required to Implement:** Amendment of the general appropriations bill could provide enhanced expenditure authority for the use of these funds. Legislation would be required to expand the purposes for use of the funds or to transfer the balances.

**OPTION 10:** The Mineral Audit and Collection Fund should be combined with the Legal Support Fund since both funds are used by the Department of Natural Resources and relate to the audit and collection functions. (See Appendix p. 89).

**Description and Background:** The Mineral Resources Audit and Collection Fund receives certain monies from judgments and settlements received by the Department of Natural Resources, which are used for audit and collection activities of the department.

The Legal Support Fund also receives certain monies from judgments and settlements received by the Department of Natural Resources, which are used for audit and collection activities and legal expenses of the department.

**Estimated Fiscal Impact:** Savings could be realized in administrative costs through combination of these funds.

**Action Required to Implement:** Legislation would be required.

**OPTION 11:** The Volunteer Firefighters Insurance Premium Fund could be eliminated and the funding for the premiums it supports could be allocated and distributed from the 2% Fire Insurance Premium Fund. (See Appendix p. 90).

**Description and Background:** Monies accrue to this fund through an allocation from the 2% Fire Insurance Premium Fund. Monies are used by the State Fire Marshal to purchase group medical and other insurance policies for volunteer firefighters injured or killed in the line of duty. The amount allocated to this fund has historically exceeded the required premium payments resulting in an accumulated balance in the fund. An allocation for purchase of such premiums directly from the 2% Fire Insurance Premium Fund would eliminate the need for the Volunteer Firefighters Insurance Premium Fund and allow additional funds to be distributed under the 2% allocation.

**Estimated Fiscal Impact:** Savings could be seen in administrative costs from repeal of the fund. The existing balance could be distributed through the 2% Fire Insurance program.

**Action Required to Implement:** Legislation would be required to repeal the fund, to add the necessary provisions to the 2% Fire Insurance Premium Fund, and to transfer the deposit of any fund balances to the 2% Fire Insurance Premium Fund.

**OPTION 12:** **Repeal the Drug Treatment Fund since the source of revenues for the fund is negligible, and the fund is unnecessary for the provision of the services supported by it. These monies could be budgeted through the state general fund.** (*See Appendix p. 87*).

**Description and Background:** The Drug Treatment Fund receives the proceeds of the tax on certain controlled substances, which are to be appropriated 95% to the Department of Health and Hospitals for services related to addictive disorders, and 5% to the Department of Revenue for administration and collection of the tax. This tax generates about \$2,000 to \$5,000 per year and the current balance is approximately \$147,000.

**Estimated Fiscal Impact:** Savings could be realized in administrative costs through repeal of the fund.

**Action Required to Implement:** Legislation would be required to repeal the fund, to transfer the deposit of these monies to the state general fund, and to appropriate any balances.